

**Submission Supporting the Adoption of an Auditing Standard for Less Complex Entities**

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**Background**

We specialise in providing audit services and both partners/directors of the Company are actively involved – largely to registered charities and Incorporated Societies and we currently have in excess of 110 audits.

We have some long-term audit clients and rotate audits between partners and audit staff.

I have been providing auditing services as a sole trader and since 2019 through our Company for 27 years.

During this time, I have been disappointed at the increase in audit standards and have long felt they do not really fit with the audits we complete.

Examples of the increase in pages and complexity in our online audit work papers files are.

Community Preschool	Turnover773K	2013	98	pages	2023	151	pages
Community Preschool	Turnover 847K	2013	90	pages	2024	186	pages
Charity providing Adult Learning	Turnover 602K	2014	82	pages	2023	151	pages
Company Subsidiary of Charitable Trust - Component Audit	Turnover3.4M	2015	98	pages	2023	142	pages
Community Neighbourhood Trust	Turnover 670K	2014	94	pages	2023	160	pages

Many of the audits are not complex e.g. in the first preschool above MOE funding is 84% of turnover and wages are 81% of total expenses.

None of the early audits have been queried or proved to be deficient.

I do not believe the increased complexity for our audits has resulted in a better audit product for this level of audit.

**Support For LCE Standards.**

The thought of having one principles based standard has strong appeal. This would replace the multitude of standards and rules we currently must adhere to.

The thought of a three year period of stability also has strong appeal.



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The standard stating the core fundamentals would be great and I see no risk of a deterioration in audit quality.

New Zealand, I understand is somewhat unique with our proliferation of registered charities and incorporated societies.

I feel we should adopt LCE audit standards that fit our situation and not have standards dictated by International Accounting firms who may have very limited understanding of our situation or no desire to tailor standards for our situation. The resources required by NZ affiliates of International Accounting firms to tailor NZ audits to LCE standards has been raised as an issue – if they had a will the resources would be available.

The fact other countries are not adopting LCE standards should not deter us from having standards that fit the NZ situation.

We did introduce tiered financial statement standards for statements preparation and feel the same can be introduced for audit standards.

The argument an LCE audit may be seen as a lesser audit is unlikely. I have never heard anyone complain that Tier 3 financial statements are a lesser product to Tier2. It will certainly not be an issue for our clients where the external users of the audited financial statements are Government Departments, Funders and Charities Filing.

## **Conclusion**

For many years I have had a sense of frustration re audit standards and the lack of progress in introducing audit standards that fit our situation. I had almost resigned myself to not seeing such standards in my lifetime. I am delighted this consultation has been produced.

I have viewed the XRB panel discussion 17 February 2025, and the consensus seemed to be. LET'S GIVE THIS A GO. I AGREE 100%.



Bevan Smith

Director

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